



4310-VH-P

DEPARTMENT OF THE INTERIOR

Bureau of Safety and Environmental Enforcement (BSEE)

[Docket ID BSEE-2015-0008; OMB Control Number 1014-0005; 15XE1700DX

EEEE500000 EX1SF0000.DAQ000]

Information Collection Activities: Relief or Reduction in Royalty Rates; Proposed Collection; Comment Request

ACTION: 60-day Notice.

SUMMARY: To comply with the Paperwork Reduction Act of 1995 (PRA), BSEE is inviting comments on a collection of information that we will submit to the Office of Management and Budget (OMB) for review and approval. The information collection request (ICR) concerns a renewal to the paperwork requirements in the regulations under *Relief or Reduction in Royalty Rates*.

DATE: You must submit comments by [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments by either of the following methods listed below.

- Electronically go to <http://www.regulations.gov>. In the Search box, enter BSEE-2015-0008 then click search. Follow the instructions to submit public comments and view all related materials. We will post all comments.

- Email cheryl.blundon@bsee.gov. Mail or hand-carry comments to the Department of the Interior; Bureau of Safety and Environmental Enforcement; Regulations and Standards Branch; ATTN: Cheryl Blundon; 45600 Woodland Road, Sterling, VA 20166. Please reference ICR 1014-0005 in your comment and include your name and return address.

FOR FURTHER INFORMATION CONTACT: Cheryl Blundon, Regulations and Standards Branch at (703) 787-1607 to request additional information about this ICR.

SUPPLEMENTARY INFORMATION:

Title: 30 CFR Part 203, *Relief or Reduction in Royalty Rates*.

OMB Control Number: 1014-0005.

Abstract: The Outer Continental Shelf (OCS) Lands Act, 43 U.S.C. 1337, as amended by the OCS Deep Water Royalty Relief Act (DWRRA), Public Law 104-58 and the Energy Policy Act of 2005, Public Law 109-58, gives the Secretary of the Interior (Secretary) the authority to reduce or eliminate royalty or any net profit share specified in OCS oil and gas leases to promote increased production. The DWRRA also authorized the Secretary to suspend royalties when necessary to promote development or recovery of marginal resources on producing or non-producing leases in the Gulf of Mexico (GOM) west of 87 degrees, 30 minutes West longitude.

Section 302 of the DWRRA provides that new production from a lease in existence on November 28, 1995, in a water depth of at least 200 meters, and in the GOM west of 87 degrees, 30 minutes West longitude qualifies for royalty suspension in certain situations. To grant a royalty suspension, the Secretary must determine that the new production or development would not be economic in the absence of royalty relief. The

Secretary must then determine the volume of production on which no royalty would be due in order to make the new production from the lease economically viable. This determination is done on a case-by-case basis. Production from leases in the same water depth and area issued after November 28, 2000, also can qualify for royalty suspension in addition to any that may be included in their lease terms.

In addition, Federal policy and statute require us to recover the cost of services that confer special benefits to identifiable non-Federal recipients. The Independent Offices Appropriation Act (31 U.S.C. 9701), Office of Management and Budget (OMB) Circular A-25, and the Omnibus Appropriations Bill (Pub. L. 104-134, 110 Stat. 1321, April 26, 1996) authorize the Bureau of Safety and Environmental Enforcement (BSEE) to collect these fees to reimburse us for the cost to process applications or assessments.

Regulations at 30 CFR Part 203 implement these statutes and policy and require respondents to pay a fee to request royalty relief. The OMB approved the information collection burden under this collection 1014-0005. Section 203.3(a) states that, “We will specify the necessary fees for each of the types of royalty-relief applications and possible BSEE audits in a Notice to Lessees. We will periodically update the fees to reflect changes in costs, as well as provide other information necessary to administer royalty relief.”

This authority and responsibility are among those delegated BSEE. The regulations at 30 CFR Part 203, are the subject of this collection. This request also covers the related Notices to Lessees and Operators (NTLs) that BSEE issues to clarify, supplement, or provide additional guidance on some aspects

We use the information to make decisions on the economic viability of leases requesting a suspension or elimination of royalty or net profit share. These decisions have enormous monetary impact on both the lessee and the Federal Government. Royalty relief can lead to increased production of natural gas and oil, creating profits for lessees, and royalty and tax revenues for the Federal Government that they might not otherwise receive. We could not make an informed decision without the collection of information required by 30 CFR part 203.

No questions of a sensitive nature are asked. BSEE will protect information from respondents considered proprietary under the Freedom of Information Act (5 U.S.C. 552) and DOI's implementing regulations (43 CFR 2) and under regulations at 30 CFR 203.61, How do I assess my chances for getting relief? and 30 CFR 250.197, Data and information to be made available to the public or for limited inspection. Responses are mandatory or are required to obtain or retain a benefit.

Frequency: On occasion or as a result of situations encountered depending upon the requirements.

Description of Respondents: Potential respondents comprise Federal oil, gas, or sulphur lessees and/or operators.

Estimated Reporting and Recordkeeping Hour Burden: The currently approved annual reporting burden for this collection is 23,329 hours and \$117,441 non-hour cost burdens. In this submission, we are requesting a total of 724 burden hours and \$27,950 non-hour cost burdens. The following chart details the individual components and respective hour burden estimates of this ICR. In calculating the burdens, we assumed that respondents perform certain requirements in the normal course of their activities.

We consider these to be usual and customary and took that into account in estimating the burden.

Citation 30 CFR 203 and related NTL(s)	Reporting or Recordkeeping Requirement+	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
		Application/Audit Fees (rounded)		
2; 3; 4; 70	These sections contain general references to submitting reports, applications, requests, copies, demonstrating qualifications, for BSEE approval – burdens covered under specific requirements.			0
Royalty Relief for Ultra-Deep Gas Wells and Deep Gas Wells on Shallow Water Leases				
31(c)	Request a refund of or recoup royalties from qualified ultra-deep wells.	1	1 request.	1
35(a); 44(a); 47	Notify BSEE of intent to begin drilling and depth of target.	1	2 notifications.	2
35(c), (d); 44(b), (d), (e)	Notify BSEE that production has begun, request confirmation of the size of RSV - provide any/all supporting documentation.	2	2 notifications.	4
35(d); 44(e)	Request to extend the deadline for beginning production with required supporting documentation.	4	1 request.	4
41(d)	Request a refund of or recoup royalties from qualified wells >200 meters but <400 meters.	1	1 request.	1
35(a); 44(a); 47(a)	Notify BSEE of intent to begin drilling.	1	2 notifications.	2
35(c), (d); 44(b), (d), (e)	Notify BSEE that production has begun, request confirmation of the size of RSV, provide any/all supporting documentation (<i>i.e.</i> , request to extend deadline, credible activity schedule, etc).	2	2 notifications.	4
46	Provide data from well to confirm and attest well drilled was an unsuccessful certified well with supporting documentation and request supplement (RSS).	8	1 response.	8
49(b)	Notify BSEE or decision to exercise option to replace one set of deep gas royalty suspension terms for another set of such terms.	BSEE SOL requires that this reg text stay for legacy purposes only. Last time any respondent could use was 2004; hence, no burden.		
		Subtotal	8 responses	20 hours
End of Life and Special Royalty Relief*				
51; 83; 84; NTL	Application—leases that generate earnings that cannot sustain continued production (end-of-life lease); required supporting documentation; include payment confirmation receipt.	100	1 application every 10 years.	10
		application 1/10 x \$8,000 = \$800* audit 1/10 x \$12,500 = \$1,250		
52	Demonstrate ability to qualify/requalify for royalty relief or to re-qualify.	1	1 response.	1
55	Renounce relief arrangement (end-of-life) (seldom, if ever will be used; minimal burden to prepare letter).	1	1 letter every 10 years.	1

Citation 30 CFR 203 and related NTL(s)	Reporting or Recordkeeping Requirement+	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
		Application/Audit Fees (rounded)		
80; NTL	Application—apart from formal programs for royalty relief for marginal producing lease (Special Case Relief); required supporting documentation; include payment confirmation receipt.	250	1 application every 10 years.	25
		application 1/10 x \$8,000** = \$ 800 audit 1/10 x \$12,500 = \$1,250		
80; NTL	Application—apart from formal programs for royalty relief for marginal expansion project or marginal non-producing lease (Special Case Relief); required supporting documentation; include payment confirmation receipt.	1,000	1 application every 10 years.	100
		application 1/10 x \$19,500** = \$ 1,950 audit 1/10 x \$18,750 = \$1,875		
Subtotal			2 responses (rounded)	137 hours
			\$7,925 fees	
CPA Report				
81; 83-90; 63	Required reports; extension justification.	Burden included with applications.		0
		1 CPA report x \$45,000/10 each report = \$4,500		
Subtotal			1 response	\$4,500
Deep Water Royalty Relief Act (DWRAA)				
61; 62; 64; 65; 71; 83; 85-89; NTL	Application—preview assessment (seldom if ever will be used as applicants generally opt for binding determination by BSEE instead) and required supporting documentation; include payment confirmation receipt.	900	1 application every 10 years.	90
		application 1/10 x \$28,500 = \$2,850		
62; 64; 65; 71; 83; 85-89; NTL	Application—leases in designated areas of GOM deep water acquired in lease sale before 11/28/95 or after 11/28/00 and are producing (deep water expansion project); required supporting documentation; include payment confirmation receipt.	2,000	1 application every 10 years.	200
		application 1/10 x \$19,500 = \$1,950		
62; 64; 65; 203.71; 81; 83; 85-89; NTL	Application—leases in designated areas of deep water GOM, acquired in lease sale before 11/28/95 or after 11/28/00 that have not produced (pre-act or post-2000 deep water leases); required supporting documentation; include payment confirmation receipt.	2,000	1 application every 10 years.	200
		application 1/10 x \$34,000 = \$3,400* audit 1/10 x \$37,500 = \$3,750		
69; NTL	Application – short form to add or assign pre-Act lease and required supporting documentation; include payment confirmation receipt.	40	1 application every 10 years.	4
		application 1/10 x \$1,000 = \$100		
70; 81; 90; 76(c), (e); NTL	Submit post-production development report; extension justification. # Reserve right to audit (1 audit every 6 years) after production starts to confirm cost estimates of the application; include payment confirmation receipt.	50	1 report* every 10 years.	5
		# 1 audit 1/10 x \$18,750 = \$1,875		

Citation 30 CFR 203 and related NTL(s)	Reporting or Recordkeeping Requirement+	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
				Application/Audit Fees (rounded)
74; 75; 76(d); NTL	Redetermination and required supporting documentation; include payment confirmation receipt.	500	1 redetermination every 10 years.	50
		application 1/10 x \$16,000 = \$1,600*		
77	Renounce relief arrangement (deep water) (seldom, if ever will be used; minimal burden to prepare letter).	1	1 letter every 10 years.	1
79	Request reconsideration of BSEE field designation.	This was a regulatory requirement for leases issued prior to 1995.		0
79(c); 76(b)	Request extension of deadline to start construction.	2	1 request every 10 years.	1
81; 83-90	Required reports; extension justification.	Burden included with applications.		0
Subtotal			3 responses	551 hours
			\$15,525 fees	
Recordkeeping				
81(d)	Retain supporting cost records for post-production development/fabrication reports (records retained as usual/customary business practice; minimal burden to make available at BSEE request).	8	2 recordkeepers.	16
Subtotal			2 recordkeepers	16 hours
Total Annual Burden			16 Responses	724 Hours
			\$27,950 Fees	

+ In the future, BSEE may require electronic filing of some submissions.

* CPA certification expense burden also imposed on applicant.

** These applications currently do not have a set fee since they are done on a case-by-case basis.

NOTE: Applications include numerous items such as: transmittal letters, letters of request, modifications to applications, reapplications, etc.

Estimated Reporting and Recordkeeping Non-Hour Cost Burden: We have

identified several non-hour cost burdens for this collection. Under § 203.3, we charge

lessees (respondents) applying for royalty relief an amount that covers the cost of

processing their applications and auditing financial data when necessary to determine the

proposed development's economic situation. As discussed in section A.1, these fees may

be revised as necessary to recover our costs in processing royalty relief applications.

This submission includes these audits and their associated fees. Since there have been no applications approved in the last 14 years under our formal programs for deepwater royalty relief or end of life, so their estimated number of submittals is one every 10 years; but we include the audit and their respective fees due to the potential situation arising.

We estimate this cost burden to be approximately \$23,450 annually. Refer to the chart in Section A.12 of this supporting statement for a breakdown.

Under § 203.81, a report prepared by an independent certified public accountant (CPA) must accompany the application and post-production report (expansion project, short form, and preview assessment applications are excluded). The OCS Lands Act applications will require this report only once; the DWRRA applications will require this report at two stages—with the application and post-production development report for successful applicants. We estimate an average cost for a report is \$45,000 and that one CPA certification, during the information collection extension period, will be necessary if the applications are approved. This annual cost burden is $\$45,000 / 10 \text{ years} = \$4,500$.

Therefore, the total of the two burdens under Section A.13 (a) and (b) is estimated at \$27,950. We have not identified any other non-hour cost burdens associated with this collection of information.

Public Disclosure Statement: The PRA (44 U.S.C. 3501, *et seq.*) provides that an agency may not conduct or sponsor a collection of information unless it displays a currently valid OMB control number. Until OMB approves a collection of information, you are not obligated to respond.

Comments: Before submitting an ICR to OMB, PRA section 3506(c)(2)(A) requires each agency “. . . to provide notice . . . and otherwise consult with members of the public and affected agencies concerning each proposed collection of information . . .”.

Agencies must specifically solicit comments to: (a) evaluate whether the collection is necessary or useful; (b) evaluate the accuracy of the burden of the proposed collection of information; (c) enhance the quality, usefulness, and clarity of the information to be collected; and (d) minimize the burden on the respondents, including the use of technology.

Agencies must also estimate the non-hour paperwork cost burdens to respondents or recordkeepers resulting from the collection of information. Therefore, if you have other than hour burden costs to generate, maintain, and disclose this information, you should comment and provide your total capital and startup cost components or annual operation, maintenance, and purchase of service components. For further information on this burden, refer to 5 CFR 1320.3(b)(1) and (2), or contact the Bureau representative listed previously in this notice.

We will summarize written responses to this notice and address them in our submission for OMB approval. As a result of your comments, we will make any necessary adjustments to the burden in our submission to OMB.

Public Comment Procedures: Before including your address, phone number, email address, or other personal identifying information in your comment, you should be aware that your entire comment—including your personal identifying information—may be made publicly available at any time. While you can ask us in your comment to withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

May 14, 2015
Date

Douglas W. Morris
Chief, Office of Offshore Regulatory Programs.

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